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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona:

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of City of Tempe, Arizona, as of and for the year ended June 30, 2000, as listed in the financial section of the accompanying table of contents. These financial statements are the responsibility of the management of the City of Tempe, Arizona. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Tempe, Arizona, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of City of Tempe, Arizona, as of June 30, 2000, and the results of operations of such funds and the cash flows of individual proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2000, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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Our audit was made for the purpose of forming an opinion on the general-purpose financial statements and on the combining and individual fund and account group financial statements taken as a whole. The accompanying financial information listed as supplemental information in the accompanying financial section of the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

In addition, the accompanying Financial Data Schedule on pages 56 through 57 is presented for purposes of additional analysis is not a required part of the basic financial statements but is supplementary information required by the U.S Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our, opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 6, 2000